GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:952
ANSWERED ON:27.07.2001
CAPITAL OF BANKS
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have received any proposal from Andhra Bank to return part of its capital to the Government;

(b) if so, the extent of such return;

(c) the objectives of returning the capital;

(d) whether other banks have also made such offers; and

(e) if so, the impact of such return of capital on control of the Government over banks and their functioning ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a),(b)&(c): In terms of the provisions of the Banking Companies (Acquisition & Transfer of Undertaking) Act, 1970 and 1980, the paid-up capital of a nationalised bank may from time to time and before any paid-up capital raised by public issue, be reduced by the Board of Directors, after consultation with Reserve Bank of India and with the previous sanction of the Central Government, by paying off any paid-up capital which is in excess of the wants of the bank, subject to certain conditions stipulated in the said Act. Andhra Bank had submitted a proposal to the Central Government to return equity capital amounting to Rs.47,95,04,536.05 to the Government during the financial year 2000-2001, with the objective of restructuring its capital before raising capital by public issue.

(d): Bank of India, Bank of Baroda, Corporation Bank and Punjab National Bank have returned equity capital to the Central Government in the past.

(e): The Banking Companies (Acquisition & Transfer of Undertaking) Act, 1970 and 1980, stipulate that not less than 51 per cent of the share capital of a nationalised bank shall be vested with the Central Government, whereby the Central Government shall continue to hold the majority stake as also control of management of these banks.